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C O N F I D E N T I A L SECTION 01 OF 03 MANILA 001461

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TAGS: [PGOV](#) [PREL](#) [RP](#)
SUBJECT: KEY GOALS FOR PRESIDENT ARROYO'S VISIT

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Classified By: Ambassador Kristie A. Kenney, Reasons 1.4 (b) and (d)

11. (C) SUMMARY: President Gloria Macapagal Arroyo remains one of our staunchest allies in southeast Asia. Despite difficulties in creating effective governance and fighting endemic corruption, President Arroyo has been a reliable pro-democracy advocate, particularly in pressing for change in Burma. She has been steadfast in her fight against terrorism in the southern Philippines, where the Armed Forces of the Philippines, working closely with the U.S. military, have made impressive gains against the Abu Sayyaf Group, Jemaah Islamiyah, and other extremist elements. While President Arroyo cannot run again for chief executive, this visit in Washington with President Bush can have an important impact on the course of her final two years in office.

12. (C) Her Oval Office discussions can help cement continued cooperation on terrorism, military partnership, and our shared democracy agenda in Asia, while encouraging renewed commitment to the Mindanao peace process and economic development in the Philippines' poorest -- and most conflict-prone -- regions. Her Cabinet-level discussions in Washington can help push forward additional key U.S. policy goals, including increased attention to human rights, greater progress in improving governance and fighting corruption, and more rapid reform of the Philippine military. END SUMMARY.

Staunch Counterterrorism Ally

13. (C) With strong support from top levels of the security services, a firm grip on the House of Representatives, and solid support of provincial governors and local mayors, President Arroyo seems likely to fulfill her presidential term, set to end in 2010. As President Arroyo faces growing distractions from rising fuel and food prices that disproportionately affect impoverished Filipinos, this Oval Office visit presents an opportunity to reenergize her commitment to shared regional and global goals. First and foremost, she remains a staunch supporter in the fight on terrorism. Since August 2006, Philippine military and law enforcement forces have captured or killed eight terrorist leaders and over 200 other terrorism suspects, including the deaths of Abu Sayyaf Group leaders Khadaffy Janjalani and Abu Solaiman.

14. (C) In addition to these successes with "hard" military power, it is equally important that we press President Arroyo to move more rapidly to find a workable solution to the problems of Muslim Mindanao. Real success for the Philippine people in countering Muslim insurgencies will come not through military action, but through strengthening civil government and the judiciary so people have faith in the rule of law. Resolving the root causes that lead to terrorism and insurgency requires that the Philippine government enhance its efforts to improve infrastructure and living conditions

and provide viable livelihood alternatives to insurgency and terrorism.

Striking a Peace Deal

15. (C) While the Arroyo Administration frequently reiterates its commitment to the peace process, and a ceasefire seems to be holding in most conflict-affected areas, negotiations have been stalled since December for an agreement on territory, governance, and resources. Muslim insurgents in the southern Philippines will not consider demobilizing and disarming until a permanent peace agreement is in place. Lack of progress in the peace process has implications for U.S. counterterrorism strategy in the region, which focuses on separating the small numbers of terrorists primarily associated with the Abu Sayyaf Group and Jemaah Islamiyah from thousands of Muslim insurgents in the southern Philippines who seek only autonomy from Manila. In recent days we have seen signs of progress in the talks. We should impress upon her that this is her opportunity to show resolve, strike a durable peace deal, and mark a crowning achievement for her administration.

Shared Democracy Agenda

16. (C) More broadly, this is an opportunity to reinforce her natural inclination to push our shared agenda in the region. President Arroyo remains a strong voice for democratic change. She continues to speak forcefully on the need for more rapid economic development and a clear commitment to

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democratic development throughout ASEAN, particularly in Burma, even though her public announcements have not always been well-received by ASEAN partners. President Arroyo also shares our view that China is an important trade and economic partner that can play a constructive and responsible role in Southeast Asia. President Arroyo will welcome our views on how she can best balance China's new status as a growing economic power.

Governance and Human Rights

17. (C) The visit also presents an excellent opportunity for us to press in her meetings with U.S. cabinet members for more rapid improvements in other areas, such as governance, human rights, corruption, and poverty alleviation. The USG continues to devote significant resources to strengthen the capacity of the judicial system to convict criminals through police training, prosecutorial assistance, and justice sector reform. But the Philippines continues to suffer from feeble governance and a weak rule of law that has resulted in human rights violations.

18. (C) We should urge President Arroyo to address with finality the issue of extrajudicial killings and disappearances. She has forcefully spoken out against the killings, has invited the UN and other observers to investigate, and has initiated a number of important measures to confront the problem. These actions, along with the glare of international attention, have had an impact: the number of reported killings and disappearances has by all measures decreased since 2006. However, to fully resolve this issue and put to rest persistent claims of military and police impunity, the Philippines will have to identify, prosecute, and convict perpetrators.

Continued Defense Partnership

19. (C) The Philippines and U.S. continue in a robust security cooperation relationship; U.S. Special Forces advisors embedded with the Philippine armed forces in Mindanao and the

Sulu Archipelago have assisted in pushing terrorist elements into the remotest areas of the southern islands. Annual bilateral humanitarian military exercises receive favorable media coverage, as do more traditional bilateral interoperability exercises. Improved coordination of such bilateral military activities with local authorities has yielded tangible results in public support from elected Muslim officials in the southern Philippines.

¶10. (C) The Philippine government will spend USD \$100 million annually of their own funds through 2012 to fund defense-reform initiatives and has already achieved positive results, including improved operational readiness and greater transparency in the procurement process. But the potential for setbacks is never far below the surface, particularly as a small but vociferous minority of anti-military advocates will pounce on any missteps. While lauding President Arroyo's defense program to date, we should strongly encourage her to stay the course and pledge U.S. continued assistance to make it possible.

Fiscal Policy and Foreign Investment

¶11. (C) Though her impoverished nation faces spiraling costs for energy and food, President Arroyo has so far withstood pressure to relax her administration's fiscal restraint, which could reverse important economic reforms she instituted during her term. Last year's excellent economic growth (7.2%), the best in three decades, was clearly the result of President Arroyo's establishment of a sound macroeconomic foundation. Foreign investors are very interested in the Philippines, but are sometimes discouraged by the many constitutional and legal barriers to their investing.

¶12. (C) President Arroyo should be encouraged to help remove some of those barriers to allow more investment and job growth. In March 2008, the Millennium Challenge Corporation (MCC) declared the Philippines eligible for a Compact agreement, a major policy achievement. The Philippines must now design a project for submission to the MCC Board focused on reducing poverty through economic growth. To sustain growth, Arroyo needs to do more to improve the business environment, including removing trade and investment restrictions, privatizing the electric power sector, and building infrastructure. The task will be challenging, but she remains steadfast and sees continued economic growth as one of the lasting legacies of her tenure.

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KENNEY